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Recommendations of the Board of Auditors

United Nations Office for Project Services

Report on the implementation of the recommendations of the Board of Auditors for the biennium 2006-2007

Summary

United Nations Office for Project Services (UNOPS) is pleased to provide a progress report on the implementation of the recommendations made in the report of the United Nations Board of Auditors for the biennium ended 31 December 2007.

The present document summarizes the current status of issues relevant to those recommendations, and the UNOPS management plan to address them, including actions yet to be fully implemented.

Elements of a decision

The Executive Board may wish to take note of the progress report on the implementation of the recommendations of the United Nations Board of Auditors for the biennium 2006-2007, and acknowledge the progress made to date.

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I. UNOPS summary response to the United Nations Board of Auditors

A. Background

1. As a self-financing entity of the United Nations system, UNOPS is developing and implementing business practices to encourage widespread recognition of the organization as a world-class service provider. In so doing, UNOPS management appreciates that the organization must remain sufficiently agile and flexible to accommodate client needs, which can rapidly change in response to world events. UNOPS must maintain sound internal control systems and keep its financial house in order; it must manage itself as an efficient business, including taking measures to ensure its viability and maintain its operational reserve.

B. Current challenges and measures to address them

2. The report of the United Nations Board of Auditors for the 2006-2007 biennium contained no qualifications but three "matters of emphasis", namely, the unreconciled interfund amounts (the bulk of which concerned UNDP); deferred revenue; and non-expendable assets. The financial situation of the organization has improved significantly over the course of the last two bienniums: in particular, the level of operational reserves increased eight-fold. This occurred despite the fact that in the last three years, in addition to a number of significant write-offs, UNOPS made exceptionally high 'bad-debt' provisions covering sizeable losses from prior periods, and made full accrual for all end-of-service liabilities, including after-service health insurance. As of December 2008, UNOPS reserves were within some $8 million of full replenishment, representing an addition of some $26 million during 2006-2008.

Issues to watch and risks to mitigate

3. The global financial crisis may affect near-term requests for UNOPS services. UNOPS will monitor the situation carefully and take steps to lessen the potential impact of the crisis on revenue streams.

4. The 'profit margins' of the organization are deliberately kept quite low (to provide maximum value to clients). UNOPS will continue to reduce its overhead rates (at the time of writing, the 2009 global average is approximately 5.4 per cent), while making sure that revenue earned remains adequate to cover costs and contribute to operational reserves.

5. Nevertheless, unforeseen 'catastrophic' events (such as a high-value arbitration claim or major fraud) could potentially reverse the gains of the last four years. The nature of the UNOPS business model makes the organization vulnerable to certain risks. At times in the past these were exacerbated by questionable business practices that could still potentially affect the financial position of UNOPS. To limit such risks, UNOPS has taken the following initiatives: comprehensively revised financial regulations and rules; strengthened the Internal Audit Office that applies risk-based methodology; established a new internal control framework emphasizing risk mitigation; launched a number of business policies, such as engagement acceptance; and purchased several corporate insurance policies. Notwithstanding the above measures, full protection against all business risks is not achievable, and it is

partially for this reason that the Executive Board established the requirement of maintaining operational reserves at a certain level.

6. Tighter project management is needed to reduce or eliminate instances of project over-expenditure and to reinforce the institutional systems that monitor programme delivery and financial performance. To that end, a series of policies and online tools have been launched, including financial and management dashboards, project initiation, monitoring and closure tools and workforce analytics.

7. A number of measures to foster greater accountability and transparency have been put in place. A new, standardized pricing policy is in use, and UNOPS has stronger controls to manage project and administrative budgets. There are target agreements with each business unit and project manager. A refined 'balanced scorecard' permits accurate tracking of unit performance. All managers are required to learn and practice the 'Prince2' project methodology.

8. The interfund balance with UNDP – about $43 million at the end of 2007 – is fully reconciled as of 31 December 2008, and work aimed at eliminating the discrepancies is nearing completion. Both UNDP and UNOPS now reconcile interfund balances frequently, greatly reducing the likelihood of recurring interfund problems. The UNOPS-UNFPA interfund account is fully reconciled and settled as of 31 December 2008.

9. As is the case with the interfund balance, deferred revenue is an inherited problem, with nearly all unreconciled amounts dating from between 1998 and 2005. Work is well under way to complete the reconciliation exercise by the time 2008-2009 accounts are closed.

10. UNOPS made tangible improvements in its asset management systems in 2008-2009. New, revamped policies and procedures were disseminated. As of October 2009, UNOPS began to manage property, plant and equipment using the Atlas assets module. An effort is on track to train personnel and strengthen procedures for proper 'tagging' of assets. Taken together, those measures should adequately address the concern.

11. Following an unprecedented clean-up exercise spanning a period of more than a decade, UNOPS gained a reasonably accurate picture of its past liabilities. A considerable number of those have been dealt with, but a few remain to be settled either through negotiation or arbitration under the guidance of the United Nations Office of Legal Affairs. UNOPS will disclose in its 2008-2009 financial statements all known liabilities, including those of a contingent nature. While the risk of litigation can never be totally eliminated, numerous steps have been taken in the 2008-2009 biennium to reduce its potential impact.

12. Implementation of the International Public Sector Accounting Standards (IPSAS) represents a major hurdle for UNOPS – perhaps more so than for other United Nations organizations – due to the self-financing status of UNOPS and the nature of its business model. To address this, changes are being made to the way UNOPS recognizes different revenue streams and records items of property, plant and equipment. UNOPS has embarked on an ambitious change management programme, including IPSAS as one of its five pillars. The conversion process is being accelerated, and a personnel training programme has begun. UNOPS realizes that implementation IPSAS is not just a 'finance issue' and is working to prepare project managers for the forthcoming changes.

II. UNOPS responses to the main recommendations of the United Nations Board of Auditors

13. The Board of Auditors provided 48 main recommendations of which three were "matters of emphasis" in the body of the financial report and audited financial statements, chapter 2, section 2.10, (a) to (UU). The present document offers a response to each of the 48 recommendations.

III. Conclusion

14. UNOPS is pleased to provide a progress report on the implementation of the recommendations made in the report of the Board of Auditors for the biennium ended 31 December 2007. Based on the developments and improvements made during the 2008-2009 biennium, and bearing in mind the high degree of dedication and commitment from all personnel, UNOPS is confident that the remaining issues highlighted in the report of the Board of Auditors, will be addressed in a satisfactory manner in the 2010-2011 biennium.

Annex 1.

Analysis of the status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2007.

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*	*No target date*
Executive Office	9	—	6	3	3	—
Corporate Control Centre	36	—	20	16	16	—
Global Service Centre	4	—	4	-	-	—
Organizational Effectiveness Centre	3	—	3	-	-	—
Regional office(s)	15	—	10	5	5	—
Total	**67**	**—**	**43**	**24**	**24**	**—**

In paragraph 35 of its report for the biennium ended 31 December 2007,[1] the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS continue to monitor profit margins of all its projects.

15. UNOPS introduced a pricing policy to guide regional directors and project mangers on project fees. UNOPS has completed a thorough 'margin analysis' on all its projects. This policy is expected to form the basis for fee negotiation with clients. UNOPS plans to perform the margin analysis on a regular basis.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 49, the Board of Auditors recommended that UNOPS obtain quarterly certificates from all its business units confirming the validity of all recorded unliquidated obligations.

16. UNOPS now performs quarterly closure of its books. As part of that process, UNOPS introduced a procedure for receiving from the regional offices quarterly certifications of all unliquidated obligations.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

[1] *United Nations Office for Project Services: Financial report and audited financial statements for the biennium ended 31 December 2007 and report of the Board of Auditors; General Assembly, sixty-third session, supplement no. 5J* (A/63/5/Add.10).

In paragraph 55, the Board recommended that UNOPS clarify in its financial statements the appropriate accounting standards for revenue recognition that it has applied in its accounting policies.

17. The UNOPS revenue recognition policy has undergone a thorough review and was revised in 2009. Bearing in mind the need to fully implement IPSAS by 2012, and in the absence of express guidance from United Nations system accounting standards, UNOPS issued interim guidelines on revenue recognition based on the 'percentage of completion' method, broadly consistent with the principles of IPSAS. UNOPS will make a detailed disclosure of this change in policy in the 'notes to the 2008-2009 financial statements'.

Department responsible:	Corporate Control Centre
Status:	Partially Implemented
Priority:	High
Target date:	December 2009

In paragraph 61, the Board of Auditors recommended that UNOPS review its accounting policies regarding revenue recognition.

18. As stated above, guidelines have been prepared to form the basis for the policy on revenue recognition. UNOPS will disclose the policy in detail in the notes to the financial statements for the 2008-2009 biennium.

Department responsible:	Corporate Control Centre
Status:	Partially Implemented
Priority:	High
Target date:	December 2009

In paragraph 81, the Board of Auditors recommended that UNOPS strengthen its processes at regional offices to ensure that all regional finance officers make use of financial reports in the Atlas system.

19. During 2008, UNOPS finance staff at headquarters and regional offices were offered face-to-face training, workshops and webcasts on Atlas and 'dashboard' reporting. Documentation on the concepts and usage of financial reporting through the dashboard has been shared with all finance and project staff. The Board of Auditors may wish to consider closing this recommendation.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 89, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS fund its operational reserve at the required level in a timely manner.

20. In accordance with the strategic plan approved by the Executive Board in its decision 2009/25, UNOPS intends to fully replenish its operational reserves by the end of 2013 at the latest. Every effort will be made to achieve that target earlier.

Department responsible:	Executive Office
Status:	Partially implemented

Priority: High
Target date: December 2013

In paragraph 96, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS prepare an age analysis for contributions received in advance and expenditure incurred to be charged to clients.

21. A report showing the ageing analysis of the contributions received and still unapplied has been under implementation since July 2009.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 100, the Board reported that UNOPS agreed with its recommendation that UNOPS implement controls to regularly review and sign off on staff receivables and other receivable balances.

22. During the second half of 2008, significant progress was made in reconciling receivables, including staff receivables. The 2008 closing balance consists primarily of current-year transactions. The recommended sign-off procedure was introduced in 2009 as a part of the quarterly closing procedure.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 103, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS (a) develop a report in Atlas that categorizes 'accounts payable' account 21005 by creditor and provides related ageing information; and (b) implement controls to review overdue balances regularly.

23. The report has been developed and is at an advanced testing stage. Following completion of the clean-up in the 'payables' module of the Atlas system over the next few months, the report will be made available to regional offices and operations/project centres.

Department responsible: Corporate Control Centre
Status: Fully Implemented
Priority: High
Target date: Not applicable

In paragraph 109, the Board of Auditors reported that UNOPS agreed with its recommendation that the Asia-Pacific Office and the Middle East Office (a) implement procedures to ensure that financial data quality is monitored regularly and discrepancies are investigated; (b) assess their training needs; (c) request headquarters to perform data quality reports for calendar year 2006; and (d) follow up and correct all data quality errors reflected in the 'financial dashboard' before the end of 2008.

24. As a first step in implementing this recommendation, UNOPS made all relevant data available to project managers and finance staff, in a user-friendly format. At the start of 2009, UNOPS launched the new dashboard for financial reporting based on the

general ledger. This has eliminated errors that resulted from the use of data sources that were not consistent with the general ledger.

25. The new dashboard includes a variety of reports to monitor the financial performance of projects. As part of the quarterly-accounts closure process introduced in 2009, regional finance officers are required to review key financial information such as project expenditure status and advances recoverable locally, and submit the relevant reports to the finance practice group at headquarters.

26. In September 2009 UNOPS implemented a 'management workspace information tool', which pulls information from a variety of sources (staff, consultants, purchase orders and payment vouchers). It provides managers and staff with easy-to-understand reports on the current status of revenue earned, recovery and delivery rates, purchase orders showing errors or exceptions, underperforming or overspent projects and budget versus expenditure comparisons.. Training sessions using WebEx technology and videoconferencing were held to train regional and operations centre staff in the use of the new tools and reports.

Department responsible:	Organizational Effectiveness Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 110, the Board of Auditors recommended that UNOPS (a) always review budgets prior to approval; (b) always use the correct chart of accounts code; and (c) make no modification once a payment has been approved and posted.

27. Regional finance officers have been trained in the project budget approval process and have passed on that knowledge to their staff responsible for budget/payment approvals.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 124, the Board of Auditors reiterated its recommendation that UNOPS reconcile its transactions and balances with UNDP on a regular basis.

28. UNOPS interfund balances consist of (a) legacy balances that belong mostly to the pre-Atlas implementation period, and (b) ongoing interfund reconciliations that relate to the current biennium. Interfund balances are reviewed on an ongoing basis and formally agreed every quarter. UNOPS reconciled and settled the legacy balances with UNFPA and is in the process of signing off on the balances with UNDP and other organizations.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 125, the Board of Auditors recommended that UNOPS obtain confirmations of all its interfund balances as part of its financial statement preparation process.

29. UNOPS and other partner organizations are in the process of closing their books for the 2008-2009 biennium. UNOPS formally approached partner organizations with which it has interfund balances, and intends to complete the respective reconciliations by the end of 2009.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 127, the Board of Auditors recommended that UNOPS, in collaboration with UNDP, settle interfund balances in cash, on a regular basis, in order to enforce regular reconciliations.

30. In early 2009 UNOPS entered into a revised agreement on treasury support provided by UNDP, according to which interfund balances are to be settled monthly.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 138, the Board of Auditors recommended that UNOPS (a) confirm interfund balances payable to or due from other United Nations organizations as part of the preparation of its financial statements and perform reconciliations of differences; and (b) follow up on the differences in the interfund balances with other United Nations organizations.

31. Despite repeated follow-up actions by UNOPS, the response by some United Nations organizations with regard to long-outstanding balances has been poor. In some instances, UNOPS may have to consider writing off such balances against the provisions made in the financial statements for the 2006-2007 biennium.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 179, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS compile a formal plan for the implementation of the International Public Service Accounting Standards.

32. UNOPS finalized a detailed Implementation of IPSAS plan in the fourth quarter of 2008.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 185, the Board of Auditors recommended that UNOPS (a) perform a detailed analysis of its exposure to currency fluctuations; and (b) identify methods of managing the foreign exchange risk.

33. Starting in 2010, UNOPS intends to employ a three-pronged approach to the risk mitigation strategy relating to currency fluctuations. First, UNOPS will evaluate its currency exposure to various major currencies and asses the materiality of the exposure. Second, UNOPS will work with UNDP to hold the asset inflows in currencies received to the extent that they match the yearly asset outflows, so that there is a natural hedge with respect to inflows and outflows. Third, where the cost of hedging is prohibitive or there is a lack of capital markets (in respect of some local currencies), it will ensure that purchase orders are issued in dollars so that currency risk is assumed by the source of funding.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	June 2010

In paragraph 205, the Board of Auditors recommended that UNOPS ensure that the Middle East Office and the Asia-Pacific Office (a) implement policies to ensure that all operations centres submit, on a monthly basis, 'advances recoverable locally' ledgers in the required format and detail; and (b) include the review of advances recoverable locally as part of end-of-month procedures.

34. As part of its monthly control activity, the Asia-Pacific Office introduced procedures to receive from each operations centre, month-end bank reconciliations, petty cash ledgers and ageing reports on advances recoverable locally. These are reviewed by the regional finance officer. The Middle East Office was closed in February 2009. All operations centres are now making the above submissions to the new Europe and the Middle East Office.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 219, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS ensure that the Middle East Office, in conjunction with headquarters, (a) formulate a standard operating procedure that provides further guidance on finance roles and responsibilities among all business units in UNOPS; and (b) implement the monitoring and oversight mechanisms on Atlas at the regional level in relation to operations centres.

35. As mentioned above, Middle East Office was closed in February 2009. In August 2009 UNOPS issued a comprehensive organizational directive on its global organizational structure that, inter alia, defined the roles and responsibilities of headquarters, regional offices, operations centres and other business units.

Department responsible:	Organizational Effectiveness Centre
Status:	Fully Implemented
Priority:	High
Target date:	Not applicable

In paragraph 224, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS ensure that the Middle East Office implements processes to ensure that the standard operating procedures are approved and implemented as soon as possible.

36. This recommendation was overtaken by events. The Middle East Office was closed in February 2009.

Department responsible:	Middle East Office
Status:	Overtaken by events
Priority:	High
Target date:	Not applicable

In paragraph 228, the Board of Auditors reported that the Middle East Office agreed with its recommendation that the Middle East Office clearly document and agree with the operations centres as to the circumstances when specific procurement services will be rendered by the Middle East Office Procurement Unit to the operations centres.

37. This recommendation was overtaken by events. The Middle East Office was closed in February 2009.

Department responsible:	Global Service Centre
Status:	Overtaken by events
Priority:	High
Target date:	Not applicable

In paragraph 232, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS ensure that the Middle East Office at all times completes supplier performance evaluation reports in accordance with the requirements of the UNOPS Procurement Manual.

38. This recommendation was overtaken by events. The Middle East Office was closed in February 2009.

Department responsible:	Middle East Office
Status:	Overtaken by events
Priority:	High
Target date:	Not applicable

In paragraph 237, the Board of Auditors reported that the Middle East Office agreed with its recommendation that the Middle East Office (a) maintain proper contract files; and (b) review contract files for completeness on a regular basis.

39. This recommendation was overtaken by events. The Middle East Office was closed in February 2009.

Department responsible:	Global Service Centre
Status:	Overtaken by events
Priority:	High
Target date:	Not applicable

In paragraph 238, the Board of Auditors reported that the Middle East Office agreed with its recommendation that, at the end of a project, the operations centres apply strict rules for paperwork retention in a specific location.

40. This recommendation was overtaken by events. The Middle East Office was closed in February 2009.

Department responsible:	Global Service Centre
Status:	Overtaken by events
Priority:	High
Target date:	Not applicable

In paragraph 297, the Board of Auditors recommended that UNOPS (a) perform inventory counts and asset reconciliations on a regular basis; and (b) maintain proper records relating to asset counts performed.

41. In 2008 UNOPS issued an administrative instruction on property, plant and equipment. The end-of-biennium 2008-2009 asset register will be prepared in accordance with these revised guidelines.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 305, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS (a) roll out the asset management module in Atlas to all regional offices; and (b) ensure that all relevant staff receive appropriate training prior to using the module.

42. All the required preparatory work was done and data ready for upload to Atlas. However, at the recommendation of UNDP Atlas team, the activation of the Atlas asset module for UNOPS was delayed due to upgrade to version 9.0 and the postponement of full implementation of IPSAS until 2012.

Department responsible:	Corporate Control Centre
Status:	Partially implemented.
Priority:	High
Target date:	December 2011

In paragraph 316, the Board of Auditors reported that the Middle East Office agreed with its recommendation that the Middle East Office, in conjunction with all relevant operations centres, (a) identify assets that are required for project purposes and transport them to the project sites as soon as possible; (b) identify assets that no longer meet the project requirements, and implement a process to dispose of those assets in a timely manner; (c) return funds to donors after selling project assets; (d) implement controls to monitor and prevent project assets from being stored in a warehouse for extended periods of time; and (e) raise a liability for amounts to be refunded to donors.

43. The Middle East Office was closed in February 2009. Prior to closing, the office transferred assets to the relevant projects: 19 transactions were approved for a total of $409,636.

Department responsible: Regional offices
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 322, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS (a) agree with relevant donors to allow the regional office to sell obsolete project assets and refund the money to the project; (b) implement controls over project assets stored in warehouses to ensure that project assets are utilized for project activities only; (c) together with operations centres, implement controls to enable project managers to better oversee assets purchased against project funds; (d) investigate the circumstances surrounding the misuse of project funds that allowed the purchase of project assets for use by the administration; and (e) make an accounting entry to reverse the cost of assets purchased (and the related revenue) under projects.

44. An administrative instruction on property, plant and equipment was issued in February 2009 containing detailed instructions for regional offices and operations centres. The final reconciliation will be conducted in the process of closing the accounts for the biennium 2008-2009. At the recommendation of the UNDP enterprise resource planning team, UNOPS delayed activation of its Atlas asset module to upgrade to version 9.0, and full implementation of IPSAS was postponed until 2012.

Department responsible: Regional offices
Status: Partially implemented
Priority: High
Target date: December 2011

In paragraph 326, the Board of Auditors recommended that UNOPS reconcile opening balances with the closing balance as reported in its 2004-2005 financial statements.

45. Analysis and reconciliations were performed to ensure that the opening balance for 2006 matched the 2005 closing balance.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 330, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS provide the authorized staffing table to each regional office on an annual basis.

46. Authorized staffing tables are now provided to the regions together with their approved budgets.

Department responsible: Organizational Effectiveness Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 345, the Board of Auditors recommended that UNOPS take appropriate action when delays are experienced in finalizing appointments.

47. In May 2008 UNOPS issued an organizational directive on recruitment, which included standard operating procedures on timeliness of recruitment. Rigorous monitoring procedures are now in place.

Departments responsible:	Global Service Centre and Organizational Effectiveness Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 366, the Board of Auditors recommended that UNOPS, in conjunction with regional offices, review its approach to project management and ensure that a uniform system is implemented (where possible) within the UNOPS organizational structure.

48. The launch of the project management initiative as one of the five change management pillars, and the move towards consistent use of Prince2 methodology in project management, will result in a far higher level of standardization in project management.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 384, the Board of Auditors recommended that UNOPS (a) implement controls to ensure that advance spending is incurred in compliance with its advance financing policy; and (b) make appropriate disclosure of debtors in respect of advance funding and/or financing.

49. UNOPS comprehensively revised its intranet site, which can now handle applications for advance financing and provide real-time status reports.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 406, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS take further steps to (a) ensure that the status of projects is regularly monitored and accurately reflected in Atlas; and (b) urgently complete the project closure exercise.

50. UNOPS established a dedicated team to review the status of older projects and perform financial closure of projects by the time accounts for biennium 2008-2009 are closed.

Department responsible: Regional offices
Status: Partially implemented
Priority: High
Target date: December 2009

In paragraph 410, the Board of Auditors recommended that UNOPS collate and track all project expenditure against budgets on a cumulative and annual basis.

51. The new Atlas-based reporting platform provides various queries and reports to monitor project expenditure. Project managers and finance officers use those queries to review and monitor the financial status of their projects.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 418, the Board of Auditors recommended that UNOPS (a) address weaknesses in the data quality in Atlas; and (b) perform an in-depth analysis of all projects currently listed, and identify those that need to be closed and those that require or may require further funding.

52. To address the data quality problem, UNOPS introduced a 'dashboard' based on general ledger data, in line with international reporting standards, in January 2009. UNOPS set up a dedicated team to review the status of all older projects and perform financial closure of projects by the time accounts for the 2008-2009 biennium are closed.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 422, the Board of Auditors recommended that UNOPS take urgent and strict measures to address the causes of the issues identified at the Afghanistan Operations Centre and remedy them.

53. UNOPS vigorously pursued the implementation of this recommendation. The causes of past problems have been identified and strict measures taken to prevent recurrence.

Department responsible: Middle East Office
Status: Partially Implemented
Priority: High
Target date: December 2009

In paragraph 427, the Board of Auditors recommended that UNOPS (a) regularly reconcile budgets as reported by operations centres with Atlas; (b) investigate and correct the reasons for the differences identified between budgets and recorded expenditure; (c) offer additional training for staff at operations centres to enable consistent and accurate reporting; and (d) address the backlog in processing expenditure and disbursement by operations centres.

54. A new reporting platform – the 'dashboard' with general ledger-based reports – was launched in January 2009. Finance and project staff received training through face-to-face

events and webcasts. UNOPS is confident this will result in improved quality and timeliness of reporting and enhance the efficiency of operations.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 434, the Board of Auditors recommended that UNOPS, in conjunction with the Middle East Office and the Asia-Pacific Office, (a) implement policies to hold project managers and operations centres more accountable for income delivery; (b) review budget-setting methods and controls to ensure that budgets set and agreed with clients are more in line with expected delivery; (c) improve monitoring controls at the Middle East Office over the performance of operations centres; (d) take steps against operations centres that have under-delivered; and (e) consider reducing administrative costs to make up for delivery shortfalls.

55. UNOPS took various measures to address this recommendation. As part of that complex exercise, the Middle East Office was closed effective February 2009.

Department responsible:	Executive Office
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 442, the Board of Auditors reported that the Asia-Pacific Office agreed with its recommendation that the Asia-Pacific Office (a) develop and approve a business growth strategy; (b) adequately address the business risks associated with new areas of business; and (c) implement adequate monitoring control over project performance and progress against targets.

56. (a) At its second regular session 2009 the Executive Board approved the UNOPS strategic plan, 2010-2013, which addresses the growth strategy and business model. (b) All UNOPS business units (including the Asia-Pacific Office) now prepare a business plan for the next several years as part of their budgetary submission. (c) In August 2009 UNOPS promulgated an engagement acceptance policy that addresses the issue of business risks and proposes various mitigation strategies. (d) In September 2009 UNOPS implemented a new management workspace information tool. This project monitoring and tracking tool gathers information from a variety of sources. It provides all managers and staff with accurate reports on the current status of revenue; recovery and delivery rates; purchase orders and vouchers containing errors and exceptions; underperforming and overspent projects; and comparisons between administrative expenses and approved budgets.

Department responsible:	Executive Office
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 448, the Board of Auditors recommended that UNOPS improve its controls so that (a) project-level system controls are improved, which would help in the detection and control of overspending; and (b) project budgets are monitored on a regular basis to ensure that budgets are not exceeded.

57. In early 2009, UNOPS launched a new 'dashboard' for financial reporting based on general ledger data. The dashboard offers a number of reports that help monitor the financial performance of individual projects. In addition, in 2009 UNOPS began to close its books on a quarterly basis. Regional finance managers are required to review key financial information – such as project expenditures and advances recoverable locally – every quarter, and submit the relevant reports to the finance practice at headquarters.

58. In September 2009 UNOPS implemented a new management workspace information tool. This project monitoring and tracking tool gathers information from a variety of sources. It provides managers and staff with accurate reports on the current status of revenue, recovery and delivery rates; purchase orders and vouchers containing errors and exceptions; underperforming and overspent projects; and comparisons between administrative expenses and approved budgets.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 452, the Board of Auditors reported that the Asia-Pacific Office agreed with its recommendation that the Asia-Pacific Office (a) monitor projects on a regular basis; (b) enhance supervision of project managers whose projects reflect a pattern of low delivery; and (c) review budget-setting methods and controls to ensure that the budgets agreed with clients are more in line with expected delivery.

59. Project meetings focusing on delivery status now take place regularly, helping to monitor projects and addressing low delivery.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 457 the Board of Auditors reported that the Asia-Pacific Office agreed with its recommendation that the Asia-Pacific Office produce reports when this is required by a memorandum of understanding.

60. The regional finance officer at the Asia-Pacific Office, together with finance officers in the operations/project centres and portfolio managers, are closely monitoring reporting requirements in order to ensure that reports are issued in a timely manner where this is technically feasible, taking into account the specifics of the UNOPS finance cycle and closing schedule.

Department responsible:	Regional offices
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 470, the Board of Auditors recommended that the Internal Audit Office (a) take measures to fully implement its workplan; and (b) increase the coverage of regional office, headquarters and financial statement audits.

61. The 2008 work plan was completed following the approved schedule. The 2008 annual report of the Head of Internal Audit was presented to the Executive Director, to the Strategic Audit Advisory Committee, and to the Executive Board at its annual session 2009.

Department responsible:	Executive Office
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 480, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS, in conjunction with its Internal Audit Office, perform a quality assessment exercise to assist in the strengthening of the internal audit function.

62. An external assessment was completed in July 2009. The assessment concluded that the Internal Audit Office generally complies with the International Internal Auditing standards and professional practices framework.

Department responsible:	Executive Office
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 485, the Board of Auditors recommended that UNOPS consider the establishment of an independent audit committee to strengthen its governance and oversight function.

63. The Strategy and Audit Advisory Committee was established by the Executive Director and its terms of reference were approved by the Executive Board in decision 2008/35, as part of the UNOPS oversight and accountability framework. Revised terms of reference, further strengthening the independence of the Committee, were approved by the Executive Board in its decision 2009/15.

Department responsible:	Executive Office
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 494, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS implement the recommendations resulting from the Office of Internal Oversight Services review.

64. All the recommendations contained in that review, dating back to October 2007, have been fully implemented.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

Annex 2.

Comments on the status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2005

Status of implementation of recommendations from prior periods considered "not fully implemented" in the annex to the report of the Board of Auditors for the biennium ended 31 December 2007

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*	*No target date*
Executive Office	3	—	1	2	3	—
Corporate Control Centre	12	—	4	8	12	—
Global Service Centre	—	—	—	—	—	—
Organizational Effectiveness Centre	—	—	—	—	—	—
Regional office(s)	5	—	3	2	5	—
Total	**20**	**—**	**8**	**12**	**20**	**—**

In paragraph 40 of its report for the biennium ended 31 December 2005,[2] the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS take steps to fund its operational reserve to the specified level in a timely manner. UNOPS would (a) monitor and track all the variables affecting the going-concern assumptions and (b) agree with the Executive Board on a time frame for rebuilding the operational reserve.

65. In line with the strategic plan approved by the Executive Board at its second regular session 2009, UNOPS intends to fully replenish its operational reserves by the end of 2013 at the latest. Every effort will be made to achieve that target earlier.

Department responsible: Executive Office
Status: Partially implemented
Priority: High
Target date: December 2013

In paragraph 45, the Board of Auditors recommended that UNOPS (a) improve its financial statement preparation process; and (b) submit certified financial statements for audit in a timely manner.

66. UNOPS submitted its financial statements for the biennium 2006-2007 ahead of schedule. Additionally, UNOPS decided to prepare 2008 interim financial statements covering the first year of the biennium. Those statements were shared informally with the Board of Auditors. UNOPS is confident that the financial statements for the 2008-2009 biennium will be submitted in a timely manner. The quality of the presentation of financial statements has improved significantly.

Department responsible: Corporate Control Centre

[2] *United Nations Office for Project Services: Financial report and audited financial statements for the biennium ended 31 December 2005 and report of the Board of Auditors; General Assembly, sixty-first session, supplement no. 5J* (A/61/5/Add.10).

Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 48, the Board of Auditors recommended that UNOPS fully reconcile and clear all suspense accounts in a timely manner.

67. During the second half of 2008, significant progress was achieved in reconciling UNOPS suspense accounts. The 2008 closing balance consists primarily of transactions completed in that year. Regular closing of the books (on a quarterly basis) has begun and will simplify reconciliation and the ability of UNOPS to keep accounts current.

Department responsible: Corporate Control Centre
Status: Partially implemented
Priority: High
Target date: December 2009

In paragraph 50, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS conduct ongoing reviews of its accounts payable balances and would (a) improve its financial statement preparation process; and (b) submit certified financial statements for audit in a timely manner.

68. UNOPS submitted its financial statements for the 2006-2007 biennium ahead of schedule. Additionally, UNOPS decided to prepare 2008 interim financial statements covering the first year of the biennium. Those statements were shared informally with the Board of Auditors. UNOPS is confident that the financial statements for the biennium 2008-2009 will be submitted in a timely manner. The quality of the presentation of financial statements has improved significantly. UNOPS intensified its efforts to provide the Board of Auditors with all the required supporting documents.

Department responsible: Corporate Control Centre
Status: Partially implemented
Priority: High
Target date: April 2010

In paragraph 55, the Board of Auditors recommended that UNOPS analyse and reconcile account 21005.

69. Such reconciliation was finalized for the year 2008 and for the first two quarters of 2009.

Department responsible: Corporate Control Centre
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 62, the Board of Auditors recommended that UNOPS review the recoverability of long-outstanding debtor balances.

70. During the second half of 2008, significant progress was achieved in the reconciling debtor balances. The 2008 closing balance consists primarily of that year's transactions. Regular closing of the books (on a quarterly basis) has begun and will further simplify reconciliation and the ability of UNOPS to keep accounts current.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 67, the Board of Auditors recommended that UNOPS implement effective measures to collect all funds due to it and assess the recoverability of outstanding balances.

71. During the second half of 2008, significant progress was achieved in reconciling outstanding balances. The 2008 closing balance consists primarily of transactions completed in that year. In 2009 UNOPS introduced a sign-off requirement as part of the quarterly closing procedure.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 69, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS implement controls to ensure that there are supporting documents for amounts disclosed in the annual financial statements.

72. UNOPS is making every effort to provide the Board of Auditors with all the required supporting documents. Separate files are kept for each balance sheet account, simplifying the process of regular reconciliation and subsequent audit.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	June 2010

In paragraph 71, the Board of Auditors recommended that UNOPS credit balances on advance accounts be accounted for as a 'payable'.

73. This recommendation was implemented in the preparation of the final financial statements for the 2006-2007 biennium. UNOPS will continue to adhere to this practice.

Department responsible:	Corporate Control Centre
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 95, the Board of Auditors recommended that UNOPS (a) reassess the recoverability of the UNDP debt of $9.9 million; (b) assess the adequacy of the $5 million provision raised for write-off; and (c) ensure that all interfund reconciliations are performed regularly.

74. UNOPS and UNDP made major efforts to complete the reconciliation of old interfund balances and identify and remove the underlying problems. A major portion of the old balance was liquidated through a negotiated settlement. Nevertheless, UNOPS management

decided to err on the side of caution and further increased the bad debt provision relating to interfund balances stemming from prior periods. UNOPS holds weekly meetings with UNDP to address remaining legacy issues.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 109, the Board of Auditors reported that UNOPS agreed with its reiterated recommendation that UNOPS ensure that there is a reconciliation of prior-year unliquidated obligations. UNOPS would (a) reconcile the payroll with the general ledger on a regular basis to ensure that all payroll costs have been correctly allocated; (b) certify reconciliations at an appropriate level of seniority as proof of review; and (c) make specific year-end and biennium-end closing arrangements to validate differences.

75. During the second half of 2008, significant progress was achieved in the reconciliation of UNOPS prior-year unliquidated obligations, including various receivables. The 2008 closing balance consists primarily of transactions completed in that year. In 2009 UNOPS introduced a sign-off requirement as part of the quarterly closing procedure.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009

In paragraph 120, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS implement controls over project budgets to ensure that monthly reviews of project budgets and expenditure are completed.

76. In early 2009 UNOPS launched a new 'dashboard' for financial reporting based on general ledger data. The dashboard offers a number of reports that help monitor the financial performance of individual projects. In addition, in 2009 UNOPS began to close its books on a quarterly basis. Regional finance managers are required to review key financial information – such as project expenditures and advances recoverable locally – every quarter, submitting the relevant reports to the finance practice at headquarters.

77. In September 2009, UNOPS implemented a new management workspace information tool. This project monitoring and tracking tool gathers information from a variety of sources. It provides managers and staff with accurate reports on the current status of revenue; recovery and delivery rates; purchase orders and vouchers containing errors and exceptions; underperforming and overspent projects; and comparisons between administrative expenses and approved budgets.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 123, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS address cost monitoring of its projects.

78. UNOPS addressed this recommendation by taking the following measures: establishing general ledger-based 'dashboard' reporting; training finance and project staff in the use of this new reporting platform; introducing a quarterly closure of the books; and requiring submission of a series of field reports to headquarters for review.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 125, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS obtain formal authorizations for budget increases on a timely basis.

79. Through the project management initiative and the move towards consistent use of Prince2 methodology in project management, UNOPS has achieved a far greater degree of compliance with this requirement.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 130, the Board of Auditors reported that UNOPS agreed with its reiterated recommendation that UNOPS secure authorizations for excess project expenditures and revise budgets in a timely manner. UNOPS would remain focused on preparing budgets, and revisions thereto, on a basis more in line with realistic project delivery.

80. Through the project management initiative and the move towards consistent use of Prince2 methodology in project management, UNOPS has achieved a far greater degree of compliance with this requirement.

Department responsible:	Regional offices
Status:	Fully implemented
Priority:	High
Target date:	Not applicable

In paragraph 149, the Board of Auditors reported that UNOPS agreed with its reiterated recommendation that UNOPS develop a risk-based internal audit plan to provide assurance to the organization on financial procedures. UNOPS agreed with the additional recommendation that it take steps to implement the formation of an audit committee.

81. A risk-based methodology was used in the preparation of the annual work plan of the Internal Audit Office for 2008 and 2009. The 2008 annual report of the Head of Internal Audit was presented to the Executive Director, the Strategic Audit Advisory Committee and the Executive Board in its annual session 2009.

Department responsible: Executive Office
Status: Fully implemented
Priority: High
Target date: Not applicable

In paragraph 169, the Board of Auditors reported that UNOPS agreed with its reiterated recommendation that UNOPS (a) update inventory records for all decentralized offices and reconcile all movements with the appropriate additions and disposals; (b) ensure that valid, accurate and complete opening balances are included in the Atlas system; and (c) provide the Board of Auditors with all documentation regarding the reclassification of assets.

82. In late 2008 UNOPS issued an administrative instruction on property, plant and equipment. It has exerted considerable efforts to reconcile and validate opening balances and has issued step-by-step instructions to all business units as part of the year-end closure guidelines on physical verification of assets and preparation of year-end asset registers.

Department responsible: Executive Office
Status: Partially implemented
Priority: High
Target date: December 2009

In paragraph 176, the Board of Auditors recommended that UNOPS review purchase documentation to ensure that assets were recorded in the asset register.

83. UNOPS aims to include this as part of its asset valuation for the full implementation of IPSAS in 2012.

Department responsible: Corporate Control Centre
Status: Partially implemented
Priority: High
Target date: December 2012

In paragraph 183, the Board of Auditors reported that UNOPS agreed with its recommendation that UNOPS perform regular physical asset counts to verify the existence of assets and the completeness and accuracy of the asset records. UNOPS also agreed with the recommendation to obtain confirmation from the storage company of all inventory items kept in storage.

84. In late 2008 UNOPS issued an administrative instruction on property, plant and equipment. It has exerted considerable efforts to reconcile and validate opening balances and issued step-by-step instructions to all business units as part of year-end closure guidelines on physical verification of assets and preparation of year-end asset registers.

Department responsible: Regional offices
Status: Partially implemented
Priority: High
Target date: December 2009

In paragraph 186, the Board of Auditors reported that the Asia-Pacific Office agreed with its recommendation that the Asia-Pacific Office, in consultation with UNOPS headquarters, identify, dispose and write off all non-expendable equipment assessed to be redundant or obsolete to ensure a fairer presentation of the non-expendable balances disclosed in the financial statements. UNOPS agreed with the recommendation that steps be taken to avoid any fruitless expenditure on photocopier rentals.

85. During the 2008-2009 biennium, those Asia-Pacific Office assets have either been written off or disposed of following recommendations by the Contracts and Property Committee at headquarters.

Department responsible:	Corporate Control Centre
Status:	Partially implemented
Priority:	High
Target date:	December 2009